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Message Text

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ACTION STR-06

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 SSO-00
NSCE-00 USIE-00 INRE-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 PRS-01 SP-02 SOE-02 OMB-01 DOE-11
AF-10 ARA-10 NEA-10 OIC-02 /145 W
----------119234 111850Z /44
O 111800Z JAN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 4648
INFO AMEMBASSY OTTAWA
AMEMBASSY TOKYO

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USMTN

ACTION STR

PASS STR ELECTRONICALLY

TOKYO FOR AMBASSADORS STRAUSS, MCDONALD, WOLFF

E.O. 11652: N/A
TAGS: MTN, CA, GATT
SUBJECT: U.S./CANADA MTN BILATERAL ON TARIFFS

REF: A. GENEVA 322, B. STATE 4859, C. GENEVA 123

1. AS REPORTED BRIEFLY IN REF. A U.S. MTN DELEGATION (MCNAMARA ET AL) MET ON JANUARY 10 WITH CANADIAN MTN DELEGATION (CLARK ET AL) TO PROVIDE A MORE SPECIFIC RESPONSE TO CANADIAN REQUESTS ON TARIFF ITEMS ON WHICH CANADA WISHES THE U.S. TO USE ITS MAXIMUM NEGOTIATING
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AUTHORITY. THE CANADIANS EXPRESSED GREAT SATISFACTION WITH THE U.S. INTENTIONS, AND COMMENTED THAT THE U.S. HAD EVIDENTLY MADE A SUBSTANTIAL EFFORT TO RESPOND TO CANADA'S REQUESTS.

2. U.S. PRESENTATION CLOSELY FOLLOWED SUGGESTED TALKING POINTS CONTAINED IN REF. B. WE INDICATED THAT THE U.S.

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INTENDS TO MAKE AN OFFER WHICH WILL COVER THE VAST MAJORITY OF PRODUCTS WHICH CANADA HAS CITED AS BEING OF INTEREST. THE U.S. WILL BE MAKING FULL TRADE ACT AUTHORITY CUTS ON ITEMS HAVING A TRADE VALUE IN 1976 OF S2.1 BILLION OF IMPORTS FROM CANADA. THIS REPRESENTS ABOUT 88 PERCENT OF THE $2.4 BILLION OF U.S. IMPORTS FROM CANADA IN THOSE ITEMS CONTAINED IN THE THREE CANADIAN REQUEST LISTS. THE U.S. ALSO INTENDS TO OFFER FULL FORMULA CUTS ON SOME OF THE REMAINING ITEMS. THE U.S. DELEGATION TOLD THE CANADIANS THAT THE U.S. TARIFF OFFER ON INDUSTRIAL PRODUCTS TO BE TABLED ON JANUARY 20 WILL BE DETAILED AND SPECIFIC, AND WILL PROVIDE SUBSTANTIALLY GREATER THAN A 40 PERCENT DEPTH OF CUT ON U.S. IMPORTS FROM CANADA.

3. WE EMPHASIZED THE SUBSTANTIAL EFFORT MADE BY THE U.S. TO TAKE INTO ACCOUNT CANADIAN NEEDS, AND SAID THAT WE EXPECT CANADA TO TABLE ON JANUARY 20 A COMPREHENSIVE AND DETAILED OFFER BASED ON THE SWISS FORMULA, AS THE U.S. PLANS TO DO. THE MAINTENANCE OF THE U.S. OFFER WOULD BE CONDITIONAL ON CANADA'S WILLINGNESS TO MAKE COMPARABLE OFFERS, INCLUDING DUTY ELIMINATION. THE U.S. DELEGATION SPELLED OUT THE OTHER GENERAL CONDITIONS ATTACHED TO OUR OFFER AND INDICATED THE HIGH PRIORITY WE PLACE ON THE CONCLUSION OF SUCCESSFUL AGREEMENTS ON SUBSIDIES, STANDARDS, AND GOVERNMENT PROCUREMENT PRACTICES. WE PAR-
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TICULARLY STRESSED THAT U.S. OFFERS OF DUTY ELIMINATION WOULD BE JEOPARDIZED IF THERE WERE NO SATISFACTORY AGREEMENT ON SUBSIDIES AND COUNTERVAILING DUTIES.

4. THE CANADIAN DELEGATION FOUND THE U.S. RESPONSE HIGHLY ENCOURAGING, AND EXPRESSED APPRECIATION FOR THE SERIOUS CONSIDERATION WHICH HAD BEEN GIVEN THE CANADIAN REQUESTS. QUESTIONED ON CANADIAN INTENTIONS, CLARK SAID CANADA INTENDS TO TABLE ITS OFFER NOT LATER THAN JANUARY 23. THE PROPOSED CANADIAN OFFER WILL BE CONSIDERED BY THE CABINET COMMITTEE ON JANUARY 11 TO BE FOLLOWED BY FULL CABINET REVIEW AND APPROVAL ON JANUARY 16. THE CANADIAN OFFER ON INDUSTRIAL TARIFFS WILL BE BASED ON THE SWISS FORMULA WITH AN "APPROPRIATE" ADJUSTMENT FACTOR TO ACHIEVE THE OVERALL 40 PERCENT DEPTH OF CUT. THE CANADIAN DELEGATION COULD NOT PROVIDE ANY FURTHER SPECIFICS ABOUT THE NATURE OF THE ADJUSTMENT FACTOR TO BE USED. AS TO MEETING THE TARGET DATE OF JANUARY 23, CLARK SAID THAT TECHNICAL FACTORS INVOLVED IN FORMULATING A TARIFF-LINE OFFER MIGHT CONCEIVABLY RESULT IN SLIPPAGE OF A WEEK OR TWO BEYOND THE TARGET DATE. HE EMPHASIZED, HOWEVER, THAT INTENSIVE PREPARATIONS WERE UNDERWAY IN OTTAWA TO TRY TO

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MEET THE TARGET DATE AND IT WAS CANADA'S FIRM INTENTION
TO TABLE BY JANUARY 23. SHOULD TECHNICAL DIFFICULTIES
DELAY THE CANADIAN DETAILED OFFER, CLARK SAID CANADA
WOULD MAKE A COMPREHENSIVE STATEMENT INDICATING PRECISELY
WHAT IT INTENDED TO DO IN ITS OFFER. WE STRESSED THE IM-
PORTANCE OF CANADA TABLING ITS OFFER IN DETAIL ON THE
TARGET DATE. CLARK EXPLAINED THAT THE CANADIAN TARIFF
OFFER WOULD BE IN THREE SECTIONS: OFFERS TO WHICH THE
SWISS FORMULA WAS BEING APPLIED, EXCEPTIONS, FULL OR PAR-
TIAL, AND OFFERS OF GREATER-THAN-FORMULA CUTS. ALL OFFERS
WOULD BE ON A TARIFF LINE BASIS. THE CANADIANS INTEND TO
PREFACE THE OFFER WITH A HEADNOTE OR CHAPEAU, MUCH AS THE
U.S. INTENDS TO DO, SETTING FORTH THE BASIS OF THE
CANADIAN OFFER AND THE LINKS AND CONDITIONS THAT APPLY.
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INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 SSO-00
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5. THE CANADIANS PROBED FOR GREATER DETAIL ON U.S. LOW
DUTY INTENTIONS, PARTICULARLY ON THAT PORTION FOR WHICH
FULL AUTHORITY WOULD NOT BE USED. THEY WERE ALSO INTER-

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ESTED IN THE SPECIFIC ITEMS ON WHICH THE U.S. MIGHT HAVE DIFFICULTY IN THE FOREST PRODUCTS AND NONFERROUS SECTORS. U.S. DEL EXPLAINED THAT BECAUSE THE U.S. OFFERS HAD NOT YET RECEIVED FINAL APPROVAL, WE COULD ONLY TALK IN AGGREGATE TERMS. WE COULD NOT RESPOND TO THE CANADIAN QUESTION AS TO HOW MANY TARIFF LINES WERE INCLUDED IN THE $2.1 BILLION OF FULL AUTHORITY OFFERS BUT ASSURED THE CANADIANS THAT THE VAST MAJORITY OF THEIR REQUESTS WAS COVERED.

6. THE U.S. SAID THAT A LIST OF GREATER-THAN-FORMULA CUTS TO BE REQUESTED OF CANADA WAS BEING PREPARED, AND HOPED TO GIVE IT TO THEM AS SOON AS POSSIBLE, BUT PROB-ABLY NOT BEFORE JANUARY 23. THE CANADIANS WERE ANXIOUS TO KNOW THE APPROXIMATE DATE ON WHICH SUCH A LIST WOULD LIMITED OFFICIAL USE

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BE FORTHCOMING. CLARK ASKED WHETHER THE CANADIAN REQUEST LIST ON DEEPER-THAN-FORMULA CUTS ON ITEMS ABOVE 5 PER-CENT HAD BEEN CONSIDERED IN FORMULATING U.S. OFFERS. WE POINTED OUT THAT THIS LIST HAD ONLY JUST BEEN RECEIVED FROM THE CANADIANS (REF. C) AND THAT THERE HAD BEEN IN-SUFFICIENT TIME TO STUDY IT. AT CANADIAN REQUEST WE AGREED TO QUERY WASHINGTON AS TO WHEN A RESPONSE ON THE LIST MIGHT BE EXPECTED.

7. THE CANADIANS SAID THEY WERE PLEASED THAT WE HAD TAKEN ACCOUNT OF THEIR SECTORAL OBJECTIVES IN OUR TARIFF OFFER ALTHOUGH THE PRECISE EXTENT WAS STILL UNCLEAR. CLARK CAUTIONED HOWEVER THAT CANADIAN SECTORAL OBJECTIVES WENT BEYOND THE TARIFF AREA, AND INCLUDED NON-TARIFF MEASURES AS WELL AS THE DISPUTE SETTLEMENT MECHANISM. CANADIAN WILLINGNESS TO DISCUSS "SECURITY OF SUPPLY" IS MADE IN THE CONTEXT OF THE ENTIRE PACKAGE OF ACTIONS AFFECTING THE SECTOR. CANADIANS REITERATED THAT THEY WERE MORE CONCERNED ABOUT ACHIEVING THE SUBSTANCE OF THEIR SECTORAL OBJECTIVES THAN ARGUING ABOUT THE TYPE OF NEGOTIATING APPROACH WHICH SHOULD BE USED.

8. CANADIAN DELEGATION FULLY UNDERSTANDS THAT OUR WILLINGNESS TO OFFER GREATER-THAN-FORMULA CONCESSIONS CANNOT BE INTERPRETED AS ANY QUID PRO QUO FOR CANADA'S WILLINGNESS TO ADHERE TO THE FORMULA. IN FACT CANADIAN DELEGATION VOLUNTEERED THE SUGGESTION THAT THE COMMUNIQUE OF THE VICE PRESIDENT'S VISIT TO OTTAWA SHOULD SPECIFI-CALLY AVOID ANY IMPLIED LINKAGE BETWEEN U.S. WILLINGNESS TO ACCOMMODATE CANADA ON ITEMS OF PARTICULAR INTEREST TO IT AND CANADIAN ADHERENCE TO THE FORMULA BECAUSE SUCH A LINKAGE WOULD BACKFIRE DOMESTICALLY FOR THE CANADIANS, WITH GROUPS WHO OPPOSE TARIFF CUTS COMPLAINING THAT THE "DEAL" WAS OF NO ADVANTAGE TO THEM

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9. COMMENT: OBVIOUS CANADIAN DELEGATION SATISFACTION WITH U.S. INTENTIONS ON ITEMS OF INTEREST TO CANADA SHOULD PRESAGE SIMILAR RECEPTION IN OTTAWA DURING VICE PRESIDENT'S VISIT. WE BELIEVE CANADIANS ARE WORKING SERIOUSLY TO MEET TABLING DATE AND WILL NOT SPRING UNEXPECTED SURPRISES. U.S. CAVEATS AND CONDITIONS ON OUR WILLINGNESS TO ACT ON CANADIAN REQUESTS WERE SYMPATHETICALLY RECEIVED BY CANADIAN DELEGATION. IN FACT THEY WERE ANTICIPATED AND CLARK POINTED OUT THAT THERE IS MUCH COMMON GROUND BETWEEN THE U.S. AND CANADA ON THE MAJOR NTMS. CANADA WILL ALSO HAVE CAVEATS OF ITS OWN.

10. ACTION REQUESTED: WE WILL NEED TO RESPOND TO TWO CANADIAN QUESTIONS: WHEN WILL THE U.S. REQUEST LIST TO CANADA FOR GREATER-THAN-FORMULA CUTS BE READY AND WHEN WILL THE U.S. BE ABLE TO RESPOND TO THE CANADIAN REQUEST LIST FOR GREATER-THAN-FORMULA TARIFF CUTS ON ITEMS IN THE ABOVE 5 PERCENT CATEGORY?
11. DRAFTED BY HAMERSCHLAG. CULBERT

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Message Attributes

Automatic Decaptioning: X
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Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
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SAS ID: 3795134
Secure: OPEN
Status: NATIVE
Subject: U.S./CANADA MTN BILATERAL ON TARIFFS
TAGS: ETRD, CA, MTN, GATT
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/9893eae4-c288-dd11-92da-001cc4696bcc
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